

# **Wireless Calling Party Pays**

**WT Docket No. 97-207**

**FCC 99-137**

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**A Consumer Perspective provided by the**

**Texas Office of Public Utility Counsel**

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# **The Consumer Perspective on Calling Party Pays**

- I. The industry's CPP proposal is predicated on disclosing little or no information to the consumers who would face CPP charges, which prevents any valid "market test."**
- II. CPP would impose substantial costs and burdens on consumers with minimal compensatory benefit.**
- III. CPP is unnecessary at this stage in the development of the U.S. wireless market, and would impede rather than promote competition.**
- IV. The industry's CPP plan is incomplete, and would force consumers and/or wireline carriers to bear the costs of adjusting to CPP.**
- V. Four regulatory safeguards are essential to minimize the consumer disruption and harm from any implementation of CPP.**
- VI. The Commission should redirect its efforts to promoting further competition in wireless services under the existing payment framework.**

## **I. CPP Proponents Resist Steps to Inform Consumers**

**The industry's CPP proposal would provide little or no information to the callers who would face CPP charges, preventing any valid "market test."**

- "The Commission should not require carriers to use special area codes or CPP-specific phone numbers as a means of informing customers that they will be charged for a call". (CTIA Reply Comments, at 16)**
- "Nor should it adopt exact language, require the disclosure of the relevant charges for CPP service, or otherwise regulate CPP rates". (Id. at 15, footnotes omitted).**
- At the same time, the industry asks the Commission to "ensure that CMRS carriers are able to achieve binding obligations with calling parties" (id. at 2) -- i.e., obligate callers to pay CPP charges without prior disclosure of the charge or even the identity of the carrier.**
- Without informed consent by callers, CPP would not be subject to any legitimate test in the marketplace. As a legal matter, privity of contract will not exist in the proposed CPP framework.**

## **II. CPP's Costs to Consumers are Unacceptably High**

**By removing the choice of carrier from the paying party, CPP creates circumstances ripe with opportunities for abuse, similar to the problems created at the inception of alternative operator services and 900/976 services.**

- By the Commission's declaratory ruling that CPP is a CMRS service, CPP charges are exempted from state regulation and may have no limitations.**
- CPP charges will be immune from competitive price pressures, because the party who is responsible for payment cannot choose among alternative carriers.**
- The industry's proposal to limit the notification to calling parties that CPP charges apply would create customer confusion and high levels of unwanted/unauthorized CPP charges.**
- There is no assurance that CPP blocking will be offered, or that it will be provided without charge to wireline customers.**
- Business, government, and institutional sites using PBXs would have no practical means to block or even identify CPP calls placed from their telephone systems.**

## **II. The Consumer Benefits Claimed for CPP are Illusory**

**Proponents of CPP have claimed it will benefit consumers and the development of wireless services, but further analysis shows just the opposite would occur.**

- The industry claims that CPP will afford wireless customers greater control of their expenditures and result in more affordable services.**
- In reality, CPP would create a new revenue stream for CMRS carriers that would be insulated from competitive forces. CPP is thus likely to undermine competitive pricing of airtime, and thus lead to higher airtime charges overall (including the CPP revenues).**
- Rather than expand the amount of inward calling to wireless phones, WCPP would impede inward calling from third-party owned telephones because of the impracticality of performing real-time charging. CPP calls either would have to be blocked or would be uncollectible from phones in hotels, schools, businesses, payphones, etc.**

### **III. CPP Would Not Promote U.S. Wireless Markets**

- **The CMRS arrangements in other countries are very different from the U.S. model, and their successes cannot be attributed solely to CPP.**
  - **Wireless expansion in many countries reflected wireline services' low penetration and quality, unlike the U.S.**
  - **Most countries have a small number of CMRS providers, limited pricing options, and distinctive numbering for CPP calls, so that customer confusion is minimized.**
  - **The message unit billing used in many other countries simplifies CPP billing and allows for real-time charging.**

### **III. CPP Would Not Promote U.S. Wireless Markets**

- **Further differences between U.S. and foreign wireless markets.**
  - **In Europe, CMRS charges are typically distance-insensitive with no surcharges for roaming, which encourages greater use.**
  - **Most foreign CPP relies on revenue sharing between the CMRS and ILEC, which creates stronger incentives for the ILEC to curb abuses.**
- **At this stage in the evolution of the U.S. wireless market, CPP is neither necessary nor useful to promote more widespread use of wireless services.**

### **III. The Wireless Market is Thriving Without CPP**

**The Commission's latest study concluded that the CMRS industry enjoys strong financial health, unprecedented growth in subscribership and revenues, falling prices, and vigorous competition. (Fourth Report on CMRS market conditions, FCC 99-136, released June 24, 1999)**

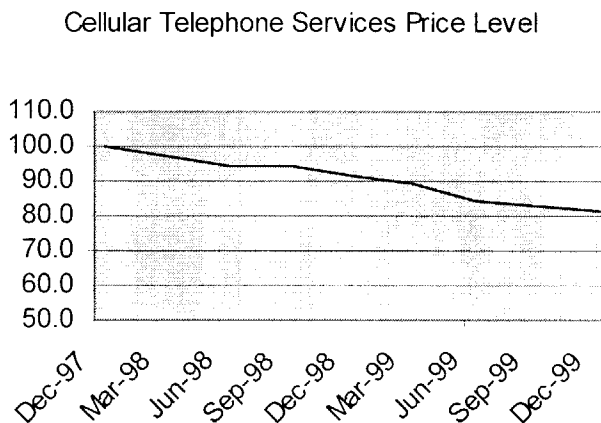
- **There is already strong price competition for U.S. wireless services.**
  - **“The available evidence, taken together, makes it clear that the average price for mobile telephony has continued to fall substantially since the *Third Report* last year, continuing the trend of the last several years.” (*Fourth CMRS Market Report*, at 21.)**
  - **Airtime charges have dropped from the 50 cent range to less than 10 cents over the past decade.**



### III. BLS Data Indicates that CMRS Prices Have Fallen 20% Over the Past Two Years

Price of Cellular Telephone Service - BLS Time-Series (#SEED03)  
Average for All U.S. Cities -- December 1997 = 100.0

Dec-97	100.0
Mar-98	97.4
Jun-98	94.4
Sep-98	94.1
Dec-98	91.7
Mar-99	89.0
Jun-99	84.0
Sep-99	82.6
Dec-99	81.1
Net change:	-19%



Source: U.S. Bureau of Labor Statistics database, accessed at <<http://www.bls.gov/sahome.html>> (2/3/00).

### **III. The Wireless Market is Thriving Without CPP**

- **Wireless services are already expanding their accessibility to lower-usage and lower-income subscribers.**
  - **“One of the most visible signs of this competition is that the price per month of the entry level packages has dropped over the past few years, giving a wider segment of the population access to mobile telephone service.” (*Fourth CMRS Market Report*, at 22.)**
  - **“The average monthly wireless telephone bill has continued to decline, reflecting increasing penetration in market sectors with lower average usage and, consequently, lower monthly bills.” (Id. at 8-9.)**
  - **Average monthly revenue per unit fell from \$42.78 in December 1997 to \$39.43 in December 1998. (Id. at 9.)**

### **III. The Wireless Market is Thriving Without CPP**

- **Wireless subscribership and revenues are growing rapidly.**
  - **The mobile telephone services subscriber base grew 25% in the year ending December 1998 (latest data available). “In numerical terms, this is the largest 12-month increase in the history of the mobile telephone sector.” (*Fourth CMRS Market Report*, at 8.)**
  - **Annual mobile telephony revenues exceeded \$30-billion for the first time in 1998, a 21% increase over the prior year. (Id. at 8.)**

## **IV. The Industry's CPP Proposals are Incomplete**

**There are serious technical omissions in the industry's CPP proposals which the Commission cannot ignore.**

- Case 1: a direct-dialed long distance call to a CPP wireless phone -- if the caller declines to complete the call after notification of charges, who compensates the IXC for the interim use of its facilities?**
- Case 2: a payphone call to a CPP wireless phone -- If the caller similarly declines to proceed, who compensates the payphone operator for the interim use of the payphone?**

## **IV. The Industry's CPP Proposals are Incomplete**

- **Case 3: a call to an end user's wireline phone, which the end user reroutes via call forwarding to her wireless CPP number -- will that end user pay the CPP charges? If so, how will the caller be prevented from hearing the notification message that indicates they are responsible for CPP charges?**
- **Case 4: a call from a PBX to a CPP wireless phone -- how can PBX owners protect themselves from unauthorized CPP charges in the absence of a workable mechanism for mechanical notification and/or blocking?**

**Consumers would be at risk for significant confusion and inadvertent or inappropriate charges until these issues are comprehensively addressed and resolved.**

## **V. Four Regulatory Safeguards Are Essential to Protect Consumers Under any CPP Framework**

- **As a unique payment arrangement, CPP-charging wireless numbers should be placed into distinct Service Area Codes (SACs).**
- **Regulators must ensure that CMRS providers, not calling parties, bear the costs of incomplete and declined CPP calls.**
- **Single-line residential and business customers should have access to free blocking of CPP calls on their lines, which should be paid for by CMRS providers or their wireless customers.**
- **The notification message for CPP should include the identity of the carrier, full disclosure of all applicable charges, and the opportunity to decline the CPP call without charges. Notification should continue indefinitely.**

## V. Service Area Codes are a Widespread Notification Measure

Table 2.1	
Many Countries Distinguish Wireless Calls by Use of Distinct Dialing Codes	
Country	Number Ranges
Argentina	prefix 15
Australia	14-15, 17-19, 407-419,
Belgium	0476-0478, 0485, 0495-0496, 075, 095-096
Cyprus	091, 095-096
Denmark	2, 30, 40, 50
Estonia	50-53, 55-56
France	0603, 0607-0618, 0660-0663, 0668, 0670, 0680-0689
Germany	0161, 0170-0179, 0700
Iceland	68-69, 89
Ireland	086-088
Israel	50-55
Italy	0320, 0328-0330, 0335-0339, 0347-0349, 0360, 0368
Japan	70, 90
Netherlands	0620-0629, 0650-0655
New Zealand	21, 25, 29
Norway	90-99
Portugal	676, 931, 933, 936, 91990, 9676
Spain	6
Sweden	7017-7018, 702-709, 730, 736, 738-739
Switzerland	076-079
United Kingdom	02-09
Source: "International Dialling Codes." British Telecom Online. Access Date: 10 Sept. 1999. < <a href="http://www1.btwebworld.com/interconnect/">http://www1.btwebworld.com/interconnect/</a>	

## **Conclusion**

- **Adopting the industry's proposed CPP framework -- with inadequate consumer notification, no provision for blocking unwanted CPP calls, serious technical flaws and omissions, and no accountability for excessive charges -- would be a disservice to telephone users and the CMRS industry alike.**
- **CPP's costs and burdens to consumers outweigh any potential benefits, and the Commission should cease its efforts to facilitate CPP options.**